

FINAL BUDGET AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES

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PART 1 – FINAL BUDGET

1.1 IDP & Budget speech 2015

Madam Speaker

EXCO members

Chief Whip of the ruling party

Leadership of the African National Congress

Leadership of other political parties in council

Fellow Councilors

Municipal Manager

Directors

Banareng ba ga-Sekororo

Banareng ba ga-Letsoalo

Bakone ba ga- Mametja

Batau ba ga- Chiloane

Ladies and gentlemen

Thobela

Good morning

Goeie more

Avuxeni

Today we hold this council with the principal aim of adopting the 2015/2016 IDP and budget.

Allow me Madam Speaker to remind this august house that since the inception of this council in 2011, we have always intended not to settle for less.

Our achievements far surpass our shortcomings.

The construction of the biggest indoor sports Centre in the province is currently under construction at the showground.

In village standards, we have a magnificent stadium at The Willows.

We tarred the following roads:

- Turkey 1 to Enable
- Turkey 3 to 4 ring road
- Turkey 1 internal street
- Hoedspruit main road
- Hlohlokwe to Sofaya
- Mahlomelong road
- Madeira internal street

We have paved the following:

- Hlohlokwe ring road (phase 01)
- Turkey 2 internal street
- Metz internal streets
- Mahupje road

We have constructed many low level bridges.

Today many graveyards are fenced.

Currently the construction of community halls at Butswana and Mosate is at an advanced stage.

At any time we will witness the same at Botshabelo and Turkey 3

We have an IDP that is highly rated in the province.

Our handling of finances satisfies the Auditor General.

Testimony to the above assertion is the attainment of an unqualified audit opinion in the financial years 2011/2012 and 2013/2014.

In 2012/2013 we obtained a qualified one.

Don't forget that in 2010/2011 we got an unqualified audit report.

All the strategic positions are filled.

During our term, we experienced only one service delivery protest.

It was conducted by the people from Balloon because they wanted us to persuade Road Agency Limpopo to accelerate the tarring of Calais-Balloon-Mosate road.

Our IDP/Budget is a product of a thorough consultation with our people.

This day culminated from a series of public participation programme that unfolded at Lorraine; Mahlomelong; Hlohlokwe; Enable; Molalane; Ga-Mametja; Hoedspruit and The Oaks.

Let me comment the enthusiasm that was displayed by our communities in making meaningful and constructive contributions.

People raised very genuine concerns and some tenets of appreciation for the good work that this council is doing in ensuring that Maruleng communities access most of the services according to the RDP standards.

Madam Speaker council must note that both oral and written submissions that were of enriching nature were made to the draft IDP and budget.

In line with some of the submissions, we intend to pave the following roads during the 2015/2016 financial year:

The Oaks internal streets

Kanana to Mahlomelong

Balloon access road

Makgaung access road

Butswana access Road

Madeira access road

Newline to Ga Fanie ring road

Madam Speaker, the council will agree with me that our IDP and budget are well aligned and primarily intend to achieve the government's objective of fighting poverty and job creation.

The 2011 census indicated that unemployment is rife in our area.

When we begin to implement our projects, we will continue to be bias in terms of offering employment opportunities to women and young people, as they are in the majority.

In conclusion Madam Speaker, I request our people to note that the process of disestablishment of our municipality must not generate fear and anxiety.

We must be ready to embrace the final outcome that will be announced probably on the 1st of August.

The ANC government will always do what will benefit all of us.

You will continue to receive services, no matter the outcome.

The 2015/2016 IDP/Budget clearly outline the intentions of this ANC led municipality in the bettering of your lives.

Our plans indicate that almost all our access roads will be paved.

You are witnessing history unfolding right before your eyes.

In the not so distant future our area will be regarded as a Mecca of Mopani.

Working together we can take our municipality forward.

Thank you.

Ke a leboga.

Dankie.

Ha khensa.

1.2 COUNCIL RESOLUTIONS

On the 29 May 2015 Council of Maruleng Local Municipality met in the Council Chambers to adopt the draft budget of the municipality for the financial year 2015/16. The Council discussed the budget and the following resolutions were considered and taken in to consideration for public participation.

1. The Council of Maruleng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) adopt and consider:
 - 1.1. The draft budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 20;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 21;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type as contained in Table 13 on page 21; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 22
- Maruleng Local Municipality 2015/16 draft budget and MTREF
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, Assets management and basic service delivery targets are approved as set out in the Following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 22;
 - 1.2.2. Budgeted Cash Flows as contained in Table 16 on page 23;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 23;
 - 1.2.4. Asset management as contained in Table 18 on page 24; and
 - 1.2.5. Basic service delivery measurement as contained in Table 19 on page 24.
2. The Council of Maruleng Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2015:
 - 2.1. The tariffs for the supply of water
 - 2.2. The tariffs for sanitation services
 - 2.3. The tariffs for solid waste services
3. The Council of Maruleng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2015 the tariffs for other services.
4. To give proper effect to the municipality's draft budget, the Council of Maruleng Local Municipality noted:
 - 4.1. That cash backing is implemented through the utilization of a portion of the revenue generated from property rates to ensure that all capital reserves and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations

1.3. EXECUTIVE SUMMARY

The application of sound financial planning and financial management principles are very critical in achieving the Municipality's financial objectives

The following were the challenges experience during the compilation of the 2015/2016 MTREF

- The ongoing difficulties in the national and local economy
- Ageing and poorly maintained water and roads infrastructure
- The need to reprioritise projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Wage increases for municipal staff and need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2015/2016 MTREF

- The 2014/15 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments were adopted as the upper limits for the new baselines for the 2015/2016 draft budget
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2015/2016 MTREF

Table 1 Consolidated Overview of the 2015/16 MTREF

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Revenue (excluding capital transfers and contributions)	71 629 230	84 965 051	91 143 626	102 166 814	119 877 728	119 877 728	146 510 881	141 709 123	142 892 320
Total Expenditure	80 639 053	111 731 796	105 523 715	132 706 662	133 202 875	133 202 875	151 634 468	160 068 312	168 689 470
Surplus/(Deficit)	-9 009 823	-26 766 744	-14 380 089	-30 539 848	-13 325 147	-13 325 147	-5 123 587	-18 359 188	-25 797 151
Transfers recognised - capital	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Surplus/(Deficit) after capital transfers & contributions	21 269 846	653 885	13 489 071	-5 230 848	12 761 692	12 761 692	20 706 413	8 369 812	2 279 849

- Total operating revenue has grown by 22.2 per cent or R26.6 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will decrease by 4.8 and 1.2 million respectively. Total operating expenditure for the 2015/16 financial year has been appropriated at R151.6 million and translates into a budgeted surplus of 20.7 million, operational expenditure has grown by 13.8 per cent in the 2015/16 when compare to adjustment budget for 2014/15 and by 5.6 and 5.4 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decrease to 8.3 R million and R2.2 million respectively. The municipality is running in to a surplus after taking in to consideration the non cash items (depreciation and bad debts) which will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

1.4. OPERATING REVENUE FRAMEWORK

For Maruleng municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2015/16 MTREF (classified by main revenue source)

Table 2 Summary of revenue classified by main revenue source

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Property rates	10 341 899	11 305 512	12 594 085	13 393 944	29 547 413	29 547 413	30 965 689	32 792 665	34 629 054
Service charges - refuse revenue	2 260 834	2 548 200	2 564 209	2 655 000	3 127 000	3 127 000	3 277 096	3 470 445	3 664 790

Service charges - other					-	-			
Rental of facilities and equipment	319 516	256 312	269 430	364 657	322 109	322 109	337 570	357 487	377 506
Interest earned - external investments	753 020	1 054 373	1 609 882	1 500 000	2 257 000	2 257 000	2 365 336	2 504 891	2 645 165
Interest earned - outstanding debtors	216 573	192 615	206 333	125 000	280 000	280 000	293 440	310 753	328 155
Fines	143 260	233 588	221 172	220 000	250 000	250 000	262 000	277 458	292 996
Licences and permits		2 657 405	2 328 118	2 867 400	2 867 400	2 867 400	3 005 035	3 182 332	3 360 543
Agency services		1 086 132	1 952 081	851 567	703 000	703 000	734 344	777 670	821 220
Transfers recognised – operational	52 984 243	64 241 714	68 062 483	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
Other revenue	4 255 469	1 389 199	1 335 833	1 060 247	1 169 247	1 169 247	1 225 371	1 297 423	1 369 892
Gains on disposal of PPE	354 416			2 075 000	2 075 000	2 075 000			
Total Revenue (excluding capital transfers and contributions)	71 629 230	84 965 051	91 143 626	102 166 814	119 877 728	119 877 728	146 510 881	141 709 123	142 892 320

Table 3 Percentage growth in revenue by main revenue source

Description	2014/15		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
<u>Revenue By Source</u>								
Property rates	29 547 413	25%	30 965 689	21%	32 792 665	23%	34 629 054	24%
Service charges - refuse revenue	3 127 000	3%	3 277 096	2%	3 470 445	2%	3 664 790	3%
Rental of facilities and equipment	322 109	0%	337 570	0%	357 487	0%	377 506	0%
Interest earned - external investments	2 257 000	2%	2 365 336	2%	2 504 891	2%	2 645 165	2%
Interest earned - outstanding debtors	280 000	0%	293 440	0%	310 753	0%	328 155	0%
Fines	250 000	0%	262 000	0%	277 458	0%	292 996	0%
Licences and permits	2 867 400	2%	3 005 035	2%	3 182 332	2%	3 360 543	2%
Agency services	703 000	1%	734 344	1%	777 670	1%	821 220	1%
Transfers recognised – operational	77 279 559	64%	104 045 000	71%	96 738 000	68%	95 403 000	67%
Other revenue	1 169 247	1%	1 225 371	1%	1 297 423	1%	1 369 892	1%
Gains on disposal of PPE	2 075 000	2%		0%		0%		0%
Total Revenue (excluding capital transfers and contributions)	119 877 728	100%	146 510 881	100%	141 709 123	100%	142 892 320	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms only 23 percentage of the revenue basket for the Municipality because the Municipality depends mainly on grants.

In the 2015/16 financial year, revenue from rates and services charges totaled R34.2 million or 23 per cent as calculated to the total revenue. This increases to R36.3 million and R38.3 million in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality

Apart from Transfers recognized – operational which is about 71 percentage of the total revenue mix, property rates is the largest own revenue source in 2015/16 financial period. The second largest own sources are licenses and permits which is 2 percent of the total revenue. The other revenue consists of various items such as town planning fees, building plan fees, clearance certificates, rental sign boards, tender documents ,etc. contained 1 percent when compared to total revenue. Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R104 million in the 2015/16 financial year and steadily decreased to R96.7 million by 2016/17 and R95.4 respectively. Note that the year-on-year growth for the 2015/16 and 2016/17 financial year are 71 per cent and decreased to 68 and 67 percent in the two outer years. The reason for decreased for the two outer years is that, in 2015/16 financial period the municipality will be allocated the money for INEG and EPWP according to the DORA and the monies are excluded in the other years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	49 088 138	64 158 565	68 041 738	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
Local Government									
Equitable Share	47 176 000	53 513 000	60 742 000	71 904 000	71 904 000	71 904 000	92 441 000	93 956 000	92 470 000
Finance									
Management	1 393 577	1 585 186	1 671 237	1 800 000	1 800 000	1 800 000	1 800 000	1 825 000	1 900 000
Municipal Systems									
Improvement	518 561	1 071 438	664 441	934 000	1 159 559	1 159 559	930 000	957 000	1 033 000
Integrated National									
Electrification									
Programme		1 895 356	3 104 644		-	-	7 000 000		
EPWP Incentive		1 365 824	1 323 176	1 316 000	1 316 000	1 316 000	1 038 000		
Municipal disaster									
recovery grant		4 727 760	536 240	1 100 000	1 100 000	1 100 000	836 000		
Provincial Government:									
Municipal disaster	-	-	-	-	-	-	-	-	-
recovery grant									
District Municipality:									
	3 896 105	83 149	20 745	-	-	-	-	-	-
<i>mopani</i>	3 896 105	83 149	20 745						
Total Operating Transfers and Grants	52 984 243	64 241 714	68 062 483	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
<u>Capital Transfers and Grants</u>									
National Government:	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000

Municipal Infrastructure Grant (MIG)	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Total Capital Transfers and Grants	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
TOTAL RECEIPTS OF TRANSFERS & GRANTS	83 263 913	91 662 344	95 931 644	102 363 000	103 366 398	103 366 398	129 875 000	123 467 000	123 480 000

Tariff-setting is a fundamental and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

Maruleng municipality has made changes on the tariff structure or revenue forgone based on the circular 75 of the MFMA. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Maruleng Municipality has justified the budget in an excess of the 4.8 per cent.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of Municipality and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows

1.4.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 73:1 the implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;

- The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.
 - The Municipality does not have special rating; one levying rate is applied for all categories. The current levying rate is 0.0107 for 2015/2016.

1.4.2. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with Municipality, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Maruleng Municipality is not a water authority in terms of the Act but rendering the service on behalf of the District. The Municipality receives bulk water from the Department of Public Works.

A tariff increase of 4.8 per cent from 1 July 2015 for water is proposed. This is based on the increase in the cost of other inputs.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARRIFF 2014/15	PROPOSED TARRIFF 2015/16
	Rand per kl	Rand per kl
RESIDENTIAL		
Water basic per household p/m	6.37	6.70
Water consumption p/kl	4.67	4.90
Business		
Water basic per household p/m	10.78	11.30

Water consumption p/kl	9.13	9.60
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1.4.3. Sanitation and Impact of Tariff Increases

A tariff increase of 4.8 per cent for sanitation from 1 July 2015 is proposed. This is based on the input cost assumptions related to water.

Table 6 Comparison between current and proposed sanitation charges

CATEGORY	CURRENT TARRIFF 2014/15	PROPOSED TARRIFF 2015/16
	Rand per service	Rand per service
RESIDENTIAL		
Sewerage per dwelling p/m	53.58	56.15
NON RESIDENTIAL		
Sewerage per dwelling p/m	55.44	58.10

1.4.4 Waste Removal and Impact of Tariff Increases

The Municipality has a contract for waste removal for businesses and also have employees who collect refuse for residential areas.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The Municipality's landfill site is situated 55 km outside the collection areas.

A 4.8 per cent increase in the waste removal tariff is proposed from 1 July 2015. Higher increases will not be viable in 2015/16 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2015

Table 7 Comparison between current and proposed waste removal fees

	CURRENT 2014/15 TARIFFS	PROPOSED 2015/16 TARIFFS
	WASTE REMOVAL	WASTE REMOVAL
Tariff per container per month or part of a month:	Per month (R)	Per month (R)
BUSINESS (cage per pick up)	1 636.25	1714.90
Small	233.75	245.00
Medium	467.50	490.00
large	935.00	979.90
PUBLIC WORKS	565.27	592.40

Domestics	74.34	77.90
Messes & Base	490.93	514.50
RESIDENTIAL	827.80	640.95
Refuse collection per unit	45.93	48.10
Refuse coupons per bakkie	136.31	142.85
Garden refuse and rubles - Full load	645.56	450.00

1.5. OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no budget no spending.
- The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 8: Summary of operating expenditure by standard classification item

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type									
Employee related costs	28 016 594	33 543 613	30 704 717	43 045 251	40 690 006	40 690 006	48 426 020	50 697 200	53 074 899
Remuneration of councillors	6 846 399	7 358 761	7 664 592	8 522 116	8 632 043	8 632 043	8 589 533	9 190 800	9 834 156
Debt impairment	3 588 743	3 032 250	2 771 424	3 700 000	3 700 000	3 700 000	4 200 000	4 447 800	4 696 877
Depreciation & asset impairment	8 240 553	24 059 807	24 729 183	33 000 000	33 000 000	33 000 000	34 584 000	36 624 456	38 675 426
Finance charges	41 229	64 910	86 022	78 000	78 000	78 000	150 000	158 850	167 746
Bulk purchases	459 223	605 447	812 848	900 000	900 000	900 000	900 000	953 100	1 006 474
Other materials	1 137 301	1 271 071	1 296 906	2 808 318	2 808 318	2 808 318	2 710 000	2 869 890	3 030 604
Contracted services	5 214 941	5 222 219	5 613 865	7 426 247	7 426 247	7 426 247	8 540 185	9 044 055	9 550 522
Other expenditure	27 094 070	19 990 430	20 808 888	33 226 730	35 968 262	35 968 262	43 534 731	46 082 160	48 652 768
Loss on disposal of PPE		16 583 286	11 035 271						
Total Expenditure	80 639 053	111 731 796	105 523 715	132 706 662	133 202 875	133 202 875	151 634 468	160 068 312	168 689 470

The budgeted allocation for employee related costs for the 2015/16 financial year totals R48.4 million, which equals 31.9 per cent of the total operating expenditure. The CPI for 2015/16 which is 4.4 has been taken in to consideration; the municipality has provided an increase of salaries and wages for 2015/16 of 4.4 per cent (5.79 per cent plus 1 per cent). In this regard, The Salary and Wage Collective Agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase: 2015/16 Financial Year – 4.4 per cent (inflation linked) , 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent

As the negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/16 budget.

The Municipality has taken into consideration for vacant and critical positions and therefore made a provision for them.

A preliminary amount of R48.4 million for employee related costs has been included in the 2014/15 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalized.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R4.2 million and escalates to R4.6 million by 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

Bulk purchases are directly informed by free basic electricity. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

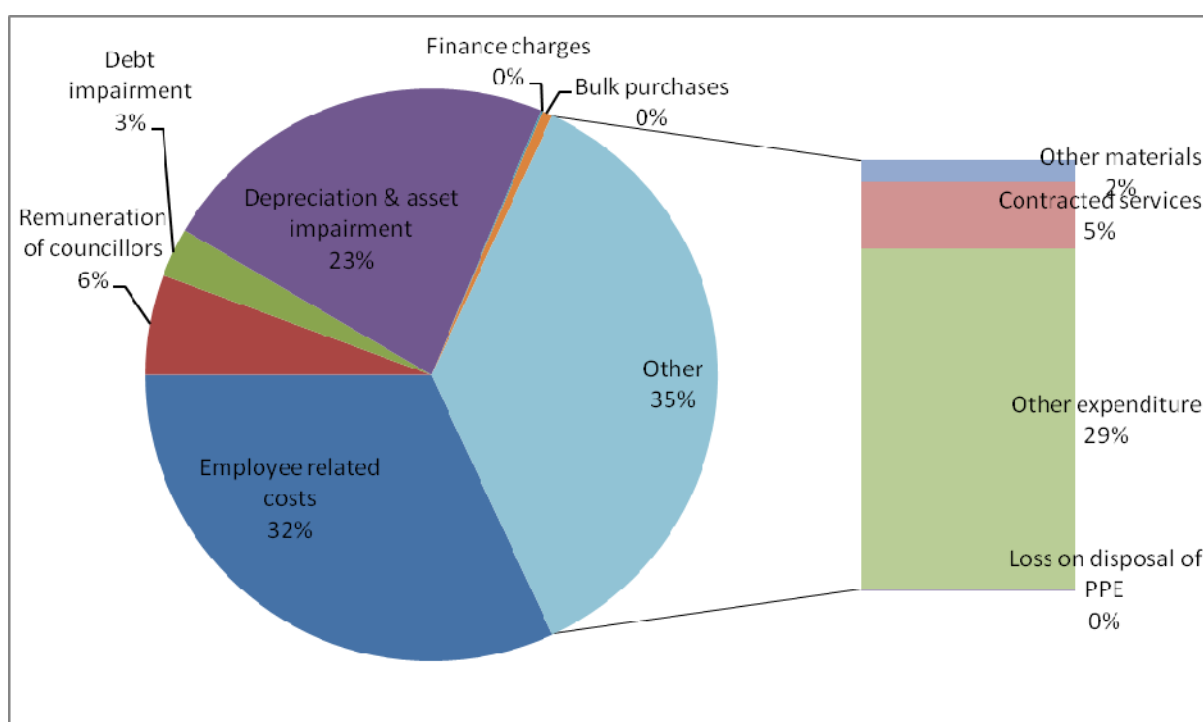
Other material comprises of amongst others the materials for maintenance and cleaning materials. For 2015/16 the appropriation for this group of expenditure totals R 2.7 million and equates 1.8 per cent of the total operating expenditure. The repairs and maintenance are done in house. The budget for repairs and maintenance are therefore be used for the purchasing of the materials.

Contracted services have been identified to render service on behalf of or to the Municipality. In the 2015/16 financial year budget for contracted services comprises of 8.5 million which was indirectly related to the rendering of refuse removal and security services. This group of expenditure has escalated to 9.0 million or 5.9 percent and 9.5 million or 5.6 percent for the two outer years which . This major increase was caused by an increase in the number of points where security services is needed and the distance between the landfill site and the municipal collection points.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies

can be achieved. An increase has been made to other expenditure by 8.5 per cent for 2015/16 and increased 5.5 per cent for 2017/18, indicating that significant cost savings have been already realized.

Table 9 the following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.



1.6. CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

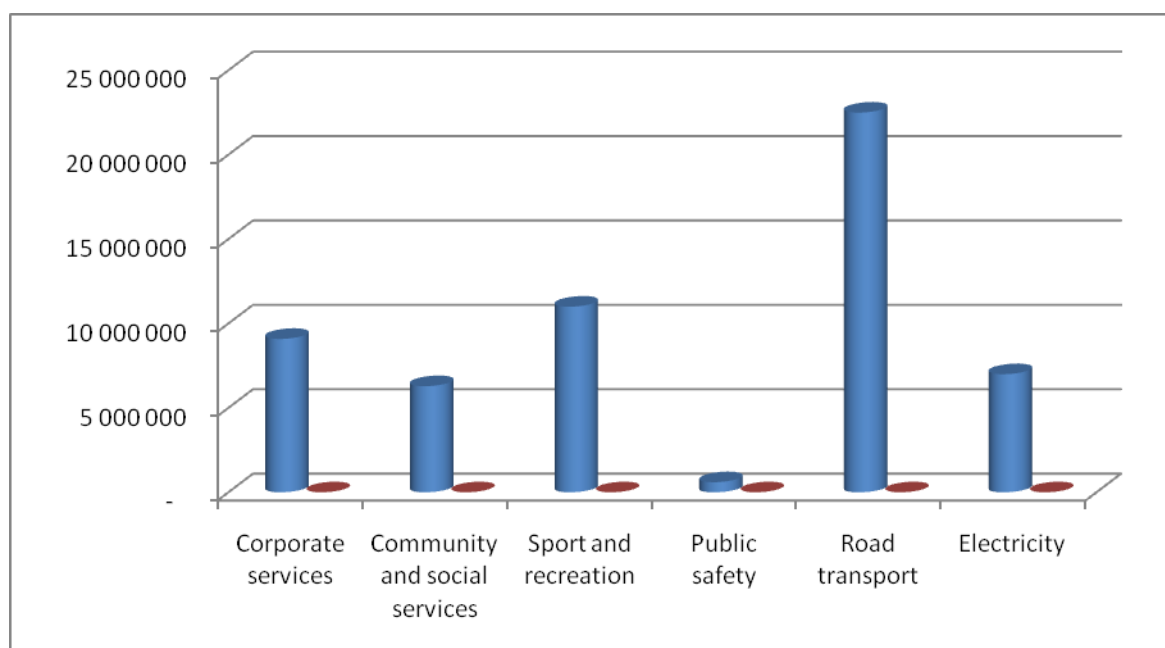
Table 09: 2015/16 Medium-term capital budget per vote

Vote Description			2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Capital Expenditure - Standard								
Corporate services	8 930 000	17%	9 090 000	16%	840 000	2%	1 484 000	4%
Community and social services	8 100 000	15%	6 289 593	11%	10 180 552	27%	9 210 407	28%
Sport and recreation	7 000 000	13%	11 000 000	19%	12 500 000	33%	8 000 000	24%
Public safety	-	0%	600 000	1%	600 000	2%	600 000	2%

Road transport	29 433 000	55%	22 497 101	40%	13 334 916	36%	13 711 377	42%
Electricity		0%	7 000 000	12%		0%		0%
Total Capital Expenditure - Standard	53 463 000	100%	56 476 694	100%	37 455 468	100%	33 005 784	100%

For 2015/16 an amount of R22.4 million has been appropriated for the development of Roads Transport which represents 40 per cent of the total capital budget. In the outer years this amount totals 13.3 million, 36 per cent and R13.7 million, 42 per cent respectively for each of the financial years. Transport and roads receives the highest allocation for the year ended 2016 followed by sports and recreation with 16 percent and corporate services with an amount of 9 million which represents 16 percent of total capital expenditure

The following graph provide a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF



1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

See attached copy draft annual budget for 2015/16 which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as adopted by the Council on the 31 of March 2015.

- **Table A1 – Budget Summary**

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognized are reflected on the Financial Performance Budget;
 - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

- **Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure

and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. The Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. Table 2 shows the surplus of R20.7 million for 2015/16 financial periods, this proves that the municipality follows section 18 of the MFMA. The municipality shows a surplus for all perspective years.

- **Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

- **Table A4 - Budgeted Financial Performance (revenue and expenditure)**
Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfer and contributions is R146.5 million in 2015/16 and plummets to R141.7 million and R142.8 million for each of the respective years of the MTREF. This shows an increase of 22.2 per cent for the 2015/16 financial year and decreased to 3.2 percent and 0.8 percent for each of the respective years.
2. Revenue to be generated from property rates is R30.9 million in the 2015/16 financial year and increases to R34.6 million by 2017/18 which represents 24.2 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 4.8 per cent, 5.9 per cent and 5.6 per cent for each of the respective financial years of the MTREF.
3. Other revenue like town planning fees, building plans, clearance certificates, etc constitutes 0.8 percent of the total operating revenue for the year ended 2016. For 2015/16 financial period other revenue has an amount of 1.3 million, and 1.4 million for the two outer years. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. The grants receipts from national government are growing rapidly over the MTREF by 34.6 per cent for 2015/16 financial period and 7 per cent and 1.4 percent for the two outer years when compared to the operating grants for previous years.
4. Bulk purchases have increased from R900 000 to 1 million by 2017/18 financial period. The bulk purchased is mainly for electricity and the registered indigents.

6. Employee related costs and bulk purchases are the main cost drivers within the municipality

- **Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 ; R34.2 million has been allocated for capital expenditure , for single year capital expenditure 22.1 million has been allocated for 2015/16 financial period which make a total of R56.4 million . The percentage increase is 5.6 when compared to 2014/15 adjustment budget and decreased by 27.6 percent and 10 percent for the two outers years.
3. The capital programme is funded from National and provincial grants and transfers and internally generated funds from current year surpluses. For 2015/16 capital funds transfers by national government is R33.6 and escalates to R26.7 and 28 million for the two outer years

- **Table A6 - Budgeted Financial Position**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position

Table A7 - Budgeted Cash Flow Statement

- **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
4. Cash and cash equivalents totals R38.6 million as at the end of the 2015/16 financial year and escalates to R63.2 million by 2017/18 financial period. The cash flow statement shows the positive movement from 2011/12 to 2017/18

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

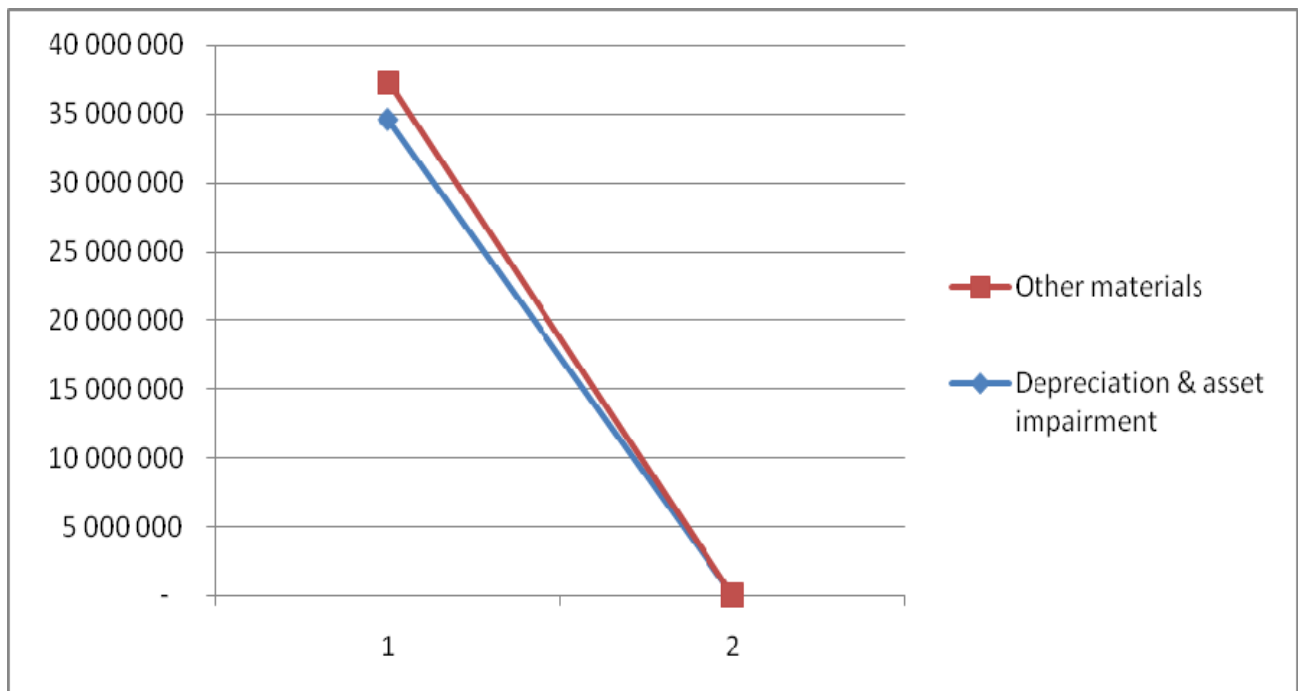
1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash

6. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

- **Table A9 - Asset Management**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The repairs and maintenance for Maruleng Municipality are done In house.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog



- **Table A10 - Basic Service Delivery Measurement**

Explanatory notes to Table A10 - Basic Service Delivery Measurement (see attached document)

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Background

Section 152 subsection c of Act 108 of 1996 indicates that municipalities must “ensure the provision of services to communities in a sustainable manner”. The success of local economic development is tied to the provision of basic and other types of infrastructure to the people. All services under analysis in this section are located in a specific locality (as per SDF) and have potential to boast socio-economic development. Infrastructure analysis focuses on the status quo regarding water supply, sanitation facilities, energy and housing provision, roads and public transport, waste management and telecommunications – all of which underpins socio-economic development and determines people’s quality of life. The provision of adequate municipal infrastructure remains a challenge throughout the municipality.

3.4.1. Water and Sanitation Provision

Mopani District Municipality is the Water Service Authority (WSA) and the municipality is the Water Service Provider (WSA). Mopani district municipality is responsible for bulk water supply and sanitation infrastructure. The municipality provides these services in terms of the service level agreement it has with the district municipality.

3.4.1.1 Water analysis

The Maruleng municipality is characterized by low rainfall. This results in limited water resources culminating in severe water shortages and drought condition. There is stiff competition amongst different water users. Water for domestic purpose becomes crucial.

However, great strides have been made in providing water in the municipality. About 16 662 households which amount to 68% of the population have access to water in terms of RDP standard. However, it must be noted that only 6.8% of the population have access to portable water.

Table 10: depicts access of water in terms of distance

TYPE	NUMBER OF HOUSEHOLDS
Piped (tap) water inside dwelling	2 669
Piped (tap) water inside yard	9006
Piped (tap) water on communal stand: distance less than 200m from dwelling	4 987
Piped (tap) water on communal stand: distance between 200m and 500m from dwelling	2 088
Piped (tap) water on communal stand :between 500m and 1000m (1km) from dwelling	1 067
Piped (tap) water on communal stand: distance greater than 1km from dwelling	285
No access to piped (tap) water	4368

(Source: census 2011)

3.4.1.1.1. Water Sources

The Mametja-Sekororo Regional Water Scheme that will supply the entire municipality will rely on the Blyde River which as enough water as water source. Most of our villages rely on poorly surveyed ground water. Most of the boreholes are often not well maintained. Villages that are under the mountains rely on water from the mountains. Other villages rely on the water supply by the municipality through water tankers.

SOURCE	NUMBER OF HOUSEHOLDS
Regional/local water scheme (operated by the municipality or other water service provider)	8209
Borehole	4 427
Spring	223
Rain water tank	211
Dam/pool/stagnant water	2 777
River/stream	6 924
Water vendor	881

(Source: census 2011)

3.4.1.2 Sanitation

The municipality through Mopani District Municipality has made a major stride regarding provision of sanitation. About 22 983 households which account to 93.9 of the population have access to basic sanitation..

Table 11: depicts percentage distribution of households by type of toilet facility as of 2011.

Type of toilet facility	Census 2001	Census 2011
Flush toilet(sewerage system)	8.8	2001
Flush toilet (septic tank)	2.9	1088
Chemical toilet	1.1	102
Pit latrine with ventilation	8.3	7 335
Pit latrine without ventilation	40.8	12 240
None	38,2	1 487
Total	100	100

Census 2011

3.4.1.3 Water and sanitation backlog

Water backlog in terms the RDP standard is at 7 808 households (32%) while sanitation is about 1 487 (6.1%) households

3.4.1.4 Water and sanitation challenges

- The main challenge is bulk water supply but Mopani District Municipality which is the WSA is currently constructing water purification plant in The Oaks which will cater almost all villages and major developments
- Ageing water and sanitation infrastructure (Hoedspruit and Kampersus)
- Over-reliance on boreholes
- Illegal connections, theft and vandalism
- Inadequate funding
- Water rights and allocation
- Quality of drinking water

3.4.1.5 Free Basic Water and Free Basic Sanitation

The municipality gives 6KL of free basic water to all household with piped water.

Free Basic Services

SERVICE	NO. INDIGENT HOUSEHOLDS	ACCESS	BACKLOG
Water	3700	2 405	1 295
Sanitation	3700	3 213	1 487
Electricity	3700	1 739	1 961
Refuse Removal	3700	0	3 700

3.4.2 Energy and Electricity.

Energy distribution has important economic developmental implications with a potential to make considerable impact. This impact relates to improved living conditions, increased productivity and greater sustainability of the environment. In the municipality electricity is largely generated by Eskom. The provision of electricity to house has been achieved to the larger extent. About 22 167 households have access to electricity which amount to 90.5% of the population. All villages are electrified except post connections and new extensions. The backlog is about 2 303 (9.5%) households. However, ESKOM is currently completing 511 units and the municipality is electrifying 400 units through INEP grant.

Table 12: depicts: Electricity Usage

Usage	No. Households
Cooking	7 299
Heating	6 431
Lighting	22 166

(Census 2011)

In the mean electricity is used for lighting. About 16 575 (67.7%) households use wood for cooking. The usage of wood as a source of energy is a worrying factor as it is harmful to the environment. The Municipality and the Department of Environmental Affairs need to conduct educational awareness campaigns against this practice.

3.4.2.1 Free Basic Electricity

The municipality has budget R 631, 800 for the provision of FBE to its 3700 indigent households. Only 1739 indigent households have access to free basic electricity due to the snail-pace of ESKOM in configuration of the register. However, the municipality is currently the indigent register.

3.4.2.2 Indigent Register

The municipality has an adopted indigent policy and register. This register facilitates the provision of free basic services. The municipality has budgeted R631, 800 for free basic services for the year 2013/14. The updated indigent register has about 3700 households as beneficiaries.

3.4.4 Waste Management

3.4.4.1. Refuse removal.

The municipality provides waste collection services in three urbanized areas: Hoedspruit, Kampersrus for a total of 1666 households and it accounts to about 6.8% of households. In both commercial and residential areas collection takes place once a week. No refuse removal is provided to the 33 villages. These households rely mostly on backyard dumping and burning. Maruleng has outsourced collection and transportation. The municipality is planning to roll-out waste collections to all villages.

3.4.4.2 Waste disposal.

The municipality has one licensed land fill in Worcester area.

Table 15: depicts percentage distribution of households by type of refuse disposal

Type of refuse removal	Census 2001	Census 2011
Removed by local municipality/private company at least once a week	-	1 434
Removed by local municipality/private company less often	-	232
Communal refuse dump	275	250
Own refuse dump	14 692	19 410
No rubbish disposal	3 678	2 828
Other	-	315
Total	19 668	24 470

Census 2011

PART 2 – SUPPORTING DOCUMENTATION

MARULENG LOCAL MUNICIPALITY IDP/BUDGET- PROCESS PLAN, 2014/15
--

2.1 INTRODUCTION

Section 28 of the Municipal Systems Act 32/2000, provides that each municipal Council should adopt a process that would guide the planning, drafting, adoption and review of the integrated development planning (IDP). Clear and established mechanisms, procedures and processes for consulting with communities are imperative and should have been followed before such a plan is adopted by Council.

2.2 CONTENT OF THE MUNICIPALITY IDP PROCESS PLAN

This plan outlines the following:

- Phases and activities of the IDP process
- Structures that will manage the planning process and their respective roles
- Public/community participation or involvement
- Time schedule for the planning process
- Roles and responsibilities for participants
- Monitoring of the process

3.

PHASES/STAGES OF THE IDP PROCESS

The table below shows the phases/stages of the IDP process and activities entailed for the Review of 2014/15 IDP.

TABLE 1: PHASES OF THE IDP PROCESS	
IDP PHASES	ACTIVITIES
PREPARATORY July 2014	<ul style="list-style-type: none"> ▪ Identification and establishment of stakeholders and or structures and sources of information ▪ Development of the IDP Process Plan
ANALYSIS PHASE August- September 2014	<ul style="list-style-type: none"> ▪ Compilation of levels of development and backlogs that suggest areas of interventions
STRATEGIES PHASE September-October 2014	<ul style="list-style-type: none"> ▪ Reviewing the Vision, Mission, Strategies and objectives
PROJECT PHASE October 2014-January 2015	<ul style="list-style-type: none"> ▪ Identification of possible projects and their funding sources
INTEGRATION PHASE January – February 2015	<ul style="list-style-type: none"> ▪ Sector Plans summary inclusion and programmes of action
APPROVAL PHASE March-May 2015	<ul style="list-style-type: none"> ▪ Submission of Draft IDP to Council ▪ Road-show on Public Participation and

	<ul style="list-style-type: none"> publication Amendments of draft IDP/Budget according to comments/inputs received Submission to Council for Final Approval and adoption by Council
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4. STRUCTURES THAT MANAGE/ DRIVE THE IDP

The following structures will be responsible to develop, implement and monitor the IDP/Budget of MLM. Municipal Manager with the assistance of the IDP Manager shall facilitate all IDP activities.

TABLE 2: STRUCTURES THAT MANAGE/DRIVE THE IDP PROCESS		
STRUCTURE	COMPOSITION	ROLE
Council	Members of Council (chair: Speaker)	Approve/adopt IDP and Budget
Executive Committee	Mayor, Portfolio Heads and members of the Management Committee (chair: Mayor)	<ul style="list-style-type: none"> Political oversight Assign responsibilities to Municipal Manager Submit draft IDP to Council
IDP Representative Forum	Government Departments, Ward Committee Members, CDWS, Traditional Leaders, CBOs, SOEs, Associations, Interest groups, Resource persons and Members of Council (chair: Mayor)	<ul style="list-style-type: none"> Represent interests of their constituencies Debate and confirm priorities of the municipality Monitor the performance of the planning and implementation processes
IDP Steering Committee	IDP Steering Committee -MM, Directors and Sectional Heads (chair: Municipal Manager) Budget Committee CFO, Directors, MM, Internal Auditor, IDP Manager & Portfolio Head of Budget, Treasury, Corporate Services & Administration (chair: Portfolio Head of Budget, Treasury, Corporate Services & Administration)	<ul style="list-style-type: none"> Compilation and implementation of the IDP Provide technical expertise and support Budgetary processes of the municipality
Cluster Technical Committee (Local Managers Forum)	Consists of: <ul style="list-style-type: none"> Municipal Directors Managers of local Sector Departments & SOEs IDP Manager (chair: Municipal Manager)	<ul style="list-style-type: none"> Alignment, coordination and integration
Performance Audit Committee	<ul style="list-style-type: none"> Members of the Audit Committee Internal Auditor (chair: Chairperson of Performance Audit)	<ul style="list-style-type: none"> IDP/Budget/Performance monitoring

	Committee)	
Ward Committees	All Ward Committees (Chair: Ward Councillors)	<ul style="list-style-type: none"> ▪ Link the planning process to their wards ▪ Assist in public consultation and participation
MPAC	All MPAC Members	<ul style="list-style-type: none"> ▪ Oversight role on behalf of Council
COGHSTA	MEC for COGHSTA	<ul style="list-style-type: none"> ▪ Assess/Evaluate the IDP, comment and monitor its implementation

5. PUBLIC PARTICIPATION

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process. Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality. The municipality will therefore:

- ❖ Conduct stakeholder identification exercise
- ❖ Ensure that the IDP representative Forum is the core structure that will provide direct representation of stakeholders in driving the IDP process
- ❖ Ensure that every phase of the planning process should allow public debates, recommendations and/or decisions that will guide the Council in its independent decision-making platform
- ❖ Arrange IDP meetings at a convenient venue and time
- ❖ Ensure participation of marginalized groupings

Areas of focus are in the identification of strategic development priorities as well as prioritizing resource allocation to programmes and projects.

6. IDP ACTIVITY FLOW

- ✓ The office of the Municipal Manager shall provide both facilitation and secretariat of the IDP Steering Committee and Representative Forum
- ✓ The IDP Steering Committee shall be involved in the drafting of the IDP Process plan
- ✓ The Municipal Manager on behalf of the Steering Committee shall submit the Process plan to the Mayor
- ✓ The Mayor shall submit the Process to the Executive Committee
- ✓ Executive Committee shall submit the Process plan to the Council
- ✓ The Office of the Municipal Manager shall facilitate the Steering Committee in drafting the IDP in all phases
- ✓ The Office of the Municipal Manager shall monitor planning processes in all phases
- ✓ The draft IDP shall be submitted to the Mayor for his oversight
- ✓ The Mayor shall submit the draft IDP to the Rep. forum and Executive Committee
- ✓ The Mayor shall submit the draft IDP/Budget to the Council
- ✓ The Council shall approve both the process plan and the IDP/Budget

7. ACTIVITY PROGRAMME

The activity plan shall take into account the District planning processes as well as the Provincial planning cycle for support by Sector Departments.

TABLE 3: ACTIVITY PROGRAMME	
30 September 2014	Status Quo Analysis Phase
30 October 2014	Strategy Phase
31 December 2014	Project Phase
31 January 2015	Integration Phase
28 February 2015	Draft IDP/Budget compiled
31 March 2015	Approval of Draft IDP/Budget
1 April- 30 April 2015	Public comments on Draft IDP/Budget
1 May-20 May 2014	Public participation meetings
30 May 2015	Adoption of the final IDP/Budget
31 May- 14 June 2015	Compilation of Draft SDBIP and summary of IDP
20 June 2015	Public notice on the adoption of the IDP/Budget
27 June 2015	Mayor signs the SDBIP
30 June 2015	Senior Managers sign Performance Agreements

8. IDP/BUDGET ACTIVITY SCHEDULE (JULY 2014-JUNE 2015)

TABLE 4: IDP/BUDGET ACTIVITY SCHEDULE			
DATE	IDP	BUDGET	RESPONSIBILITY
28 July 2014	IDP Steering Committee: Process Plan	Commencement of budget related processes	MM, IDP Manager and CFO
6 August 2014	IDP Representative Forum: Process plan		MM, IDP Manager
14 August 2014	Council Sitting: Adopts process plan		Mayor, MM
26 August 2014	IDP Steering Committee: Analysis phase		MM
28 August 2014	IDP Representative Forum: Analysis Phase		MM
29 August 2014		Submit Financial statements and Annual Report to Provincial & National Treasury, the Auditor General and COGHSTA	MM, CFO
14 October 2014	IDP Steering Committee: Strategy Phase		MM, IDP Manager
14 November 2014	IDP Representative Forum: Strategies phase		MM
23-25 November 2014	Strategic Planning Session: Strategies phase		MM, IDP Manager
28 November 2014		Budget Committee : commence preparation of departmental operational plans & SDBIP aligned to the	MM, CFO

		strategic priorities and inputs from stakeholders	
16 January 2015	IDP Steering Committee: Project & Integration Phases		MM, IDP Manager
19 January 2015		Budget Committee: First draft budget	MM, CFO
23 January 2015	EXCO: Noting Mid-year report and Annual Report for 2013/14	EXCO: Noting Mid-year report and budget adjustment performance report	MM
29 January 2015	Council Sitting: EXCO: Noting Mid-year report and Annual Report for 2013/14	-Tabling of the Adjustment Budget	Mayor, MM, CFO
6 February 2015	Tabling of the 2013/14 Annual Report to the joint sitting of the MPAC and the Audit Committees		MM
9 February 2015	Publication of the Annual Report for public input	Budget Committee: Considers departmental budget proposals	CFO MM
17- 28 February 2015	Oversight report (preparation, public participation etc)		MPAC
27 February 2015		Budget Committee: Draft Budget finalized	CFO
6 March 2015	IDP Steering Committee: Draft IDP/Budget		MM, IDP Manager
13 March 2015	IDP Representative Forum: Draft IDP/Budget		MM, IDP Manager
18 March 2015	EXCO: Draft IDP/Budget		MM
26 March 2015	Council Sitting: <ul style="list-style-type: none"> - Adoption of Draft IDP/Budget - Adoption of the Annual Report for 2011/12 and Oversight Committee Report 		Mayor, MM
2 April 2015	Submission of Draft IDP to DLGH for Analysis	Confirm Provincial and National allocation	MM, CFO, IDP Manager
1 -30 April 2015	Publication of the draft IDP/Budget documents for public comments/ inputs	Publication of the draft MTEF Budget for 2015/16, 2016/17 & 2017/18 financial years	MM, CFO, IDP Manager, Communication Officer
1 -20 May 2015	Public Participation on Draft IDP/Budget		MM, Office of the Speaker

22 May 2015	IDP Steering Committee: Effect changes to Draft IDP/Budget as per public comments. Develop IDP process plan for 2015/16	Amendment of the Draft Budget as per public participation process	MM, CFO, IDP Manager
25 May 2015	IDP Representative Forum: Consider final Draft IDP/Budget, Draft IDP process plan for 2015/16		MM, IDP Manager
26 May 2015	EXCO: Final Draft IDP/Budget, Process Plan		MM
28 May 2014	Council sitting: Adoption IDP/Budget for 2015-2020, adopt IDP process plan for 2015/16	Adoption of the Budget for 2011-14	Mayor, MM
12 June 2015	Submission of IDP to the MEC for Local Government and Housing	Submission of the Approved IDP & Budget to Provincial and National Treasury	MM,CFO
19 June 2015	IDP Summary & Notice for approved IDP/Budget		MM,CFO
25 June 2015	Adoption of the SDBIP	Adoption of the SDBIP	Mayor
30 June 2015	Signing of Performance Contracts by Senior Managers		Mayor, MM

9. MONITORING AND EVALUATION OF THE PROCESS PLAN

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Mayor.

10. COST ESTIMATES: R600, 000.00

11. CONCLUSION

The Process Plan adopted by Council shall be binding to all in the municipality and shall further provide transparency and accountability to the communities of Maruleng Local Municipality.

Table 21 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	6 430 914	16 222 291	15 671 525	20 605 269	32 344 022	32 344 022	75 293	79 735	84 200
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	42 882 402	38 107 191	43 579 608	30 202 190	32 702 190	32 702 190	33 666 000	26 729 000	28 077 000
LED	Grow the economy and halve unemployment and develop partnership	1 574 538	1 737 652	1 157 650	1 958 510	2 308 510	2 308 510	1 038 000		-
Municipal Financial Vialibility and Management	Become financially viable	47 176 000	55 247 109	48 895 066	73 775 844	77 675 844	77 675 844	133 537 950	137 368 600	138 308 913
Good Governance and Public Participation	Effective and efficient organisation	3 845 046	1 071 438	9 708 937	934 000	934 000	934 000	4 023 639	4 260 789	4 499 206
Total Revenue (excluding capital transfers and contributions)		101 908 900	112 385 681	119 012 787	127 475 814	145 964 567	145 964 567	172 340 881	168 438 123	170 969 320

Table 22: Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Municipal Transformation and organisational development	Create,inform community and Develop retain skilled capacitated workforce	34 966 532	1 987 324	49 920 453	1 828 819	1 828 819	1 828 819	2 730 000	3 071 100	3 243 082
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	1 137 301	21 636 005	17 043 578	13 473 318	13 473 318	13 473 318	16 496 807	24 828 165	26 218 543
LED	Grow the economy and halve unemployment and develop partnership	1 885 458	839 891	1 000 000	5 886 000	5 886 000	5 886 000	5 134 819	6 637 812	7 009 529
Municipal Financial Vialibility and Management	Become financially viable	38 558 036	84 244 854	31 003 492	109 933 651	110 429 864	110 429 864	119 507 524	117 242 441	123 465 351
Good Governance and Public Participation	Effective and efficient organisation	4 091 725	3 023 723	6 556 192	1 584 874	1 584 874	1 584 874	7 765 317	8 288 793	8 752 965
Allocations to other priorities										
Total Expenditure		80 639 053	111 731 796	105 523 715	132 706 662	133 202 875	133 202 875	151 634 468	160 068 312	168 689 470

Table 23 Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Municipal Transformation and organisational development	Create,inform community and Develop retain skilled capacitated workforce	529 507	152 251	6 085 000	2 100 000	2 100 000	2 100 000	110 000		
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	25 866 396	29 325 138	23 007 311	39 833 000	43 707 000	43 707 000	42 786 694	36 415 468	31 521 784
LED	Grow the economy and halve unemployment and develop partnership	1 325 000		850 000	400 000	400 000	400 000	7 000 000		
Municipal Financial Vialibility and Management	Become financially viable	2 813 652	3 540 485	2 833 000	5 821 000	5 821 000	5 821 000	4 460 000	3 840 000	4 634 000
Good Governance and Public Participation	Effective and efficient organisation	699 398	1 667 000	1 297 490	1 435 000	1 435 000	1 435 000	2 120 000	600 000	600 000
Total Capital Expenditure		31 233 953	34 684 873	34 072 801	49 589 000	53 463 000	53 463 000	56 476 694	40 855 468	36 755 784

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance

management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Reporting in the monitoring process also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

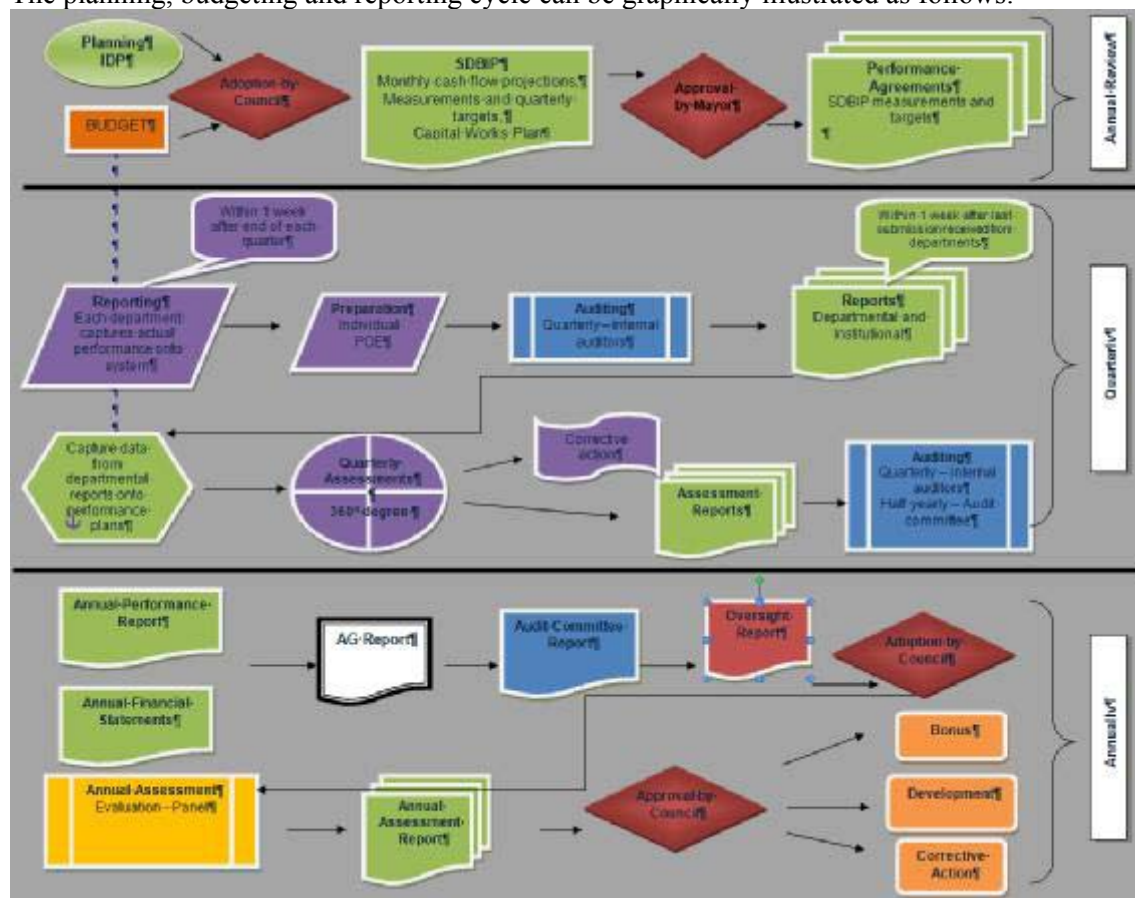


Figure 5 Planning, budgeting and reporting cycle

Monitoring is the regular observation and recording of activities taking place in a project or programme. Relevant data is gathered in an efficient and timely manner and in sufficient quantities to provide meaningful results after which it is processed to identify and categorize factors relevant to specific concerns. In monitoring, data should be analysed and the results displayed so that personnel can take appropriate actions.

Monitoring which involves a process of routinely gathering information on all aspects of the objective, programme or project has been operationalised within the Maruleng Local Municipality by making use of the SDBIP reporting to monitor quarterly progress towards targets as set out. Cascading the SDBIP further down to the departmental/sectional level will help Maruleng Local Municipality to review performance quarterly and be able to take necessary steps to improve performance where performance targets are not met.

Assessment is a process of measuring or quantifying the level of attainment or competence within a specified domain whereby scores are attached to see how well the theme, objective, programmes or projects have been achieved. On the other hand evaluation is determining of value, or the measurement of value added. The municipality needs to determine whether, or not, the programme or project adds value or is contributing to the organisation's strategy.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the *Framework of Managing Programme Performance Information* issued by the National Treasury:

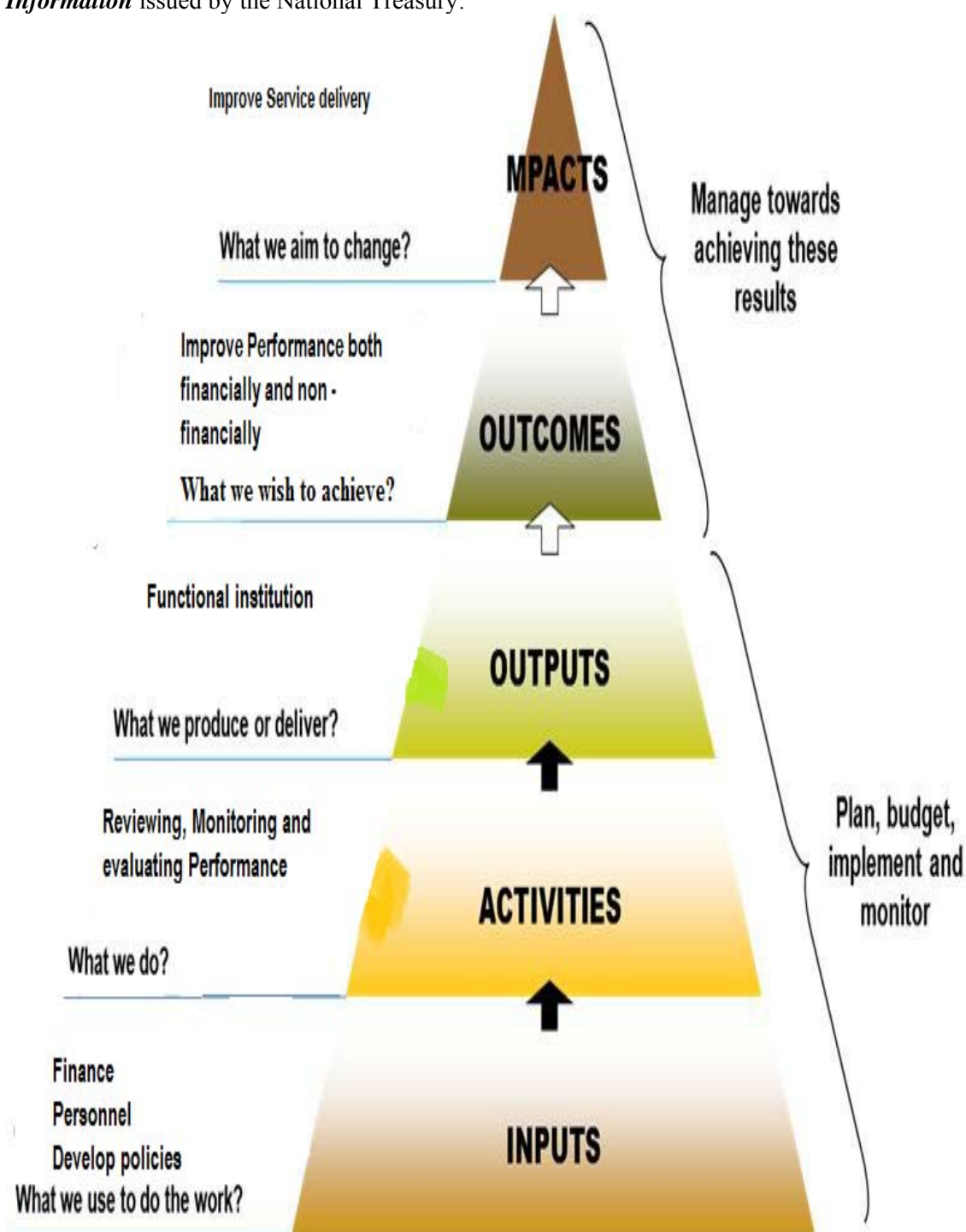


Figure 6 Definition of performance information concept

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 24: MBRR Table SA7 Measureable performance objectives

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<i>Reduce roads backlogs</i> Sub-function - Roads maintained	Kilometer	4,5%	4,0%	6,0%	30,0%	30,0%	30,0%	30,0%	30,0%	29,8%
surfaced roads resurfaced/ rehabilitation	Kilometer	0,0%	0,0%	4,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<i>Sub-function - Roads for growth</i> New roads to be constructed	Kilometer	4,5%	6,0%	6,0%	30,0%	30,0%	30,0%	30,0%	30,0%	32,0%
Function - Stormwater										
<i>Sub-function - Reduction of backlog</i> stormwater drainage to reduce backlogs	Kilometer	1,0%	5,0%	1,0%	2,0%	2,0%	2,0%	2,0%	2,0%	1,8%
Sub-function - Stormwater for growth Stormwater drainage to stimulate growth	Kilometer	3,0%	21,0%	2,0%	2,0%	2,0%	2,0%	3,0%	4,0%	3,0%

<i>Households provided with a water connection</i>	Number	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
new bulk water pipeline	Meter	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
New Internal water pipelines	Meter	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
upgrade and replace of internal water pipeline	Meter	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<i>household provided with a sanitation connection</i>	Number	79,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
New bulk sewer pipelines	Meter									
New internal sewer pipelines	Meter	15,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

The following table sets out the municipalities main performance objectives and benchmarks for the 2014/15 MTREF.

Table 25: MBRR Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18

<u>Borrowing Management</u>										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,2%	0,3%	0,4%	0,3%	0,2%	0,2%	0,4%	0,4%	0,4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Safety of Capital</u>										
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	3,2	3,2	3,6	7,1	9,6	9,6	7,5	9,4	9,6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	3,2	3,2	3,6	7,1	9,6	9,6	7,5	9,4	9,6
Liquidity Ratio	Monetary Assets/Current Liabilities	1,7	2,0	2,3	4,9	4,9	4,9	4,0	5,1	5,5
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		83,2%	80,8%	92,8%	99,4%	99,3%	0,0%	99,3%	99,3%

Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		83,2%	80,8%	92,8%	99,4%	99,3%	99,3%	99,3%	99,3%	99,3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	23,3%	21,9%	26,1%	15,5%	28,2%	28,2%	27,0%	28,3%	27,7%
Creditors to Cash and Investments		47,1%	35,8%	19,7%	19,0%	13,6%	13,6%	27,8%	17,1%	14,1%
<u>Other Indicators</u>										
Electricity Distribution Losses (2)	Total Volume Losses (kW)									
	Total Cost of Losses (Rand '000)	0	0	0	0	0	0	0	0	0
	% Volume (units purchased and generated less units sold)/units purchased and generated	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Water Distribution Losses (2)	Total Volume Losses (kℓ)	-	-	-	-	-	-	-	-	-
	Total Cost of Losses (Rand '000)	-	-	-	-	-	-	-	-	-
		0	0	0	0	0	0	0	0	0
	% Volume (units purchased and generated less units sold)/units purchased and generated									

Employee costs	Employee costs/(Total Revenue - capital revenue)	39,1%	39,5%	33,7%	42,1%	33,9%	33,9%	33,1%	35,8%	37,1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	48,7%	48,1%	42,1%	50,5%	41,1%	41,1%	38,9%	42,3%	44,0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1,6%	1,5%	1,4%	2,7%	2,3%	2,3%	1,8%	2,0%	2,1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11,6%	28,4%	27,2%	32,4%	27,6%	27,6%	23,7%	26,0%	27,2%
<u>IDP regulation financial viability indicators</u>	-									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	15,0	11,4	14,2	9,9	9,9	9,9	15,1	15,1	16,0
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	129,1%	132,1%	154,4%	96,3%	102,4%	102,4%	114,5%	109,5%	102,5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	4,3	6,1	9,2	5,4	7,7	7,7	5,2	6,5	7,7

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

- Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. Maruleng Municipality does not have long term borrowing.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors and overdraft and tax provisions as a percentage of funds and reserves. The debt to equity ratio for the Municipality is 0%

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2, hence at no point in time should this ratio be less than 2. For the 2015/16 MTREF the current ratio is 4:0 and 5:1 and 5:5 for the two outer years of the MTREF.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2015/16 financial year the ratio is 4:0 and 5:5 in the 2017/18 financial year. This shows that the municipality will be able to funds their projects and operating expenditure without borrowings.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive data cleansing and debt management strategy needs to been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on supplier's perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The Municipality does not distribute electricity to the public the function is carried out by Eskom. Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily due to the increase in vacancy rate and budget for salary disparity.
-

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2015/16 financial year 4 145 registered indigents have been provided for in the budget , In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water, and 6 kℓ sanitation.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is not the Water Services Authority for the municipality in terms of the Water Services Act, 1997 but only acts as water services provider. Approximately 100 per cent of the Municipality's bulk water needs are provided by Department of Public Work in the form of purified water.

2.4 OVERVIEW OF BUDGET RELATED-POLICIES

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

- The Reviewed Collection Policy was applied by Council and still need to be adopted in May 2015, the policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the revisions included the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.
- The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate on current billings. In addition the collection of debt in excess of 90 days has been prioritized as a relevant strategy in increasing the Municipality's cash levels. In addition,

2.4.2 Inventory and Asset Management Policy

- A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

2.4.3 Budget and Virement Policy

- The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year

review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

- The Supply Chain Management Policy was reviewed and still need to be adopted by Council . An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Cash Management and Investment Policy

- The Municipality's Cash Management and Investment Policy were reviewed by Council but still need to be adopted. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

- The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Indigent Policies

- In terms of the Municipality's Indigent policy, Households with a total monthly gross income of R1 500,00 or less qualifies to a subsidy on property rates and services charges for sewerage and refuse removal and will additionally receive 6 kl of water per month free of charge.

2.5. OVERVIEW OF BUDGET ASSUMPTIONS

2.5.1 External factors

- Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The wage agreement SALGBC concluded by municipal union s Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 July 2015 with an increase of 4.4 percent.

2.5.3 Credit rating outlook

Table 26: Credit rating outlook

Security class	Currency	Rating	Previous Rating
Short term	Rand	Prime -1	Prime -1
Long term	Rand	Aa3	Aa3
Outlook	Rand	Negative	Negative

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)
- Prime-1 (highest quality)
- Long-term : Aa3
- Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

- The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The Municipality does not have long term loans.

2.5.5 Collection rate for revenue services

- The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.
- The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 24 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. The municipality is depending more on grants.

2.5.6 Growth or decline in tax base of the municipality

- Debtor’s revenue is assumed to increase at a rate that is influenced by the consumer debtor’s collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

- Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing “households” is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the “poor household limits consumption to the level of free basic service.

2.5.7 Salary increases

- The Salary and Wage Collective Agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase: 2015/16 Financial Year – 4.4 per cent (inflation linked) , 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent
- As the negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/16 budgets.

2.5.8 Impact of national, provincial and local policies

- Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:
 - Creating jobs;
 - Enhancing education and skill development;
 - Improving Health services;
 - Rural development and agriculture; and
 - Fighting crime and corruption.
- To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

- It is estimated that a spending rate of at least 98 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

TABLE 27- Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2015/16 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
<u>Revenue By Source</u>								
Property rates	29 547 413	25%	30 965 689	21%	32 792 665	23%	34 629 054	24%

Service charges - refuse revenue	3 127 000	3%	3 277 096	2%	3 470 445	2%	3 664 790	3%
Rental of facilities and equipment	322 109	0%	337 570	0%	357 487	0%	377 506	0%
Interest earned - external investments	2 257 000	2%	2 365 336	2%	2 504 891	2%	2 645 165	2%
Interest earned - outstanding debtors	280 000	0%	293 440	0%	310 753	0%	328 155	0%
Fines	250 000	0%	262 000	0%	277 458	0%	292 996	0%
Licences and permits	2 867 400	2%	3 005 035	2%	3 182 332	2%	3 360 543	2%
Agency services	703 000	1%	734 344	1%	777 670	1%	821 220	1%
Transfers recognised - operational	77 279 559	64%	104 045 000	71%	96 738 000	68%	95 403 000	67%
Other revenue	1 169 247	1%	1 225 371	1%	1 297 423	1%	1 369 892	1%
Gains on disposal of PPE	2 075 000	2%		0%		0%		0%
Total Revenue (excluding capital transfers and contributions)	119 877 728	100%	146 510 881	100%	141 709 123	100%	142 892 320	100%

Table 28-The following graph is a breakdown of the operational revenue per main category for the 2015/16 financial year.

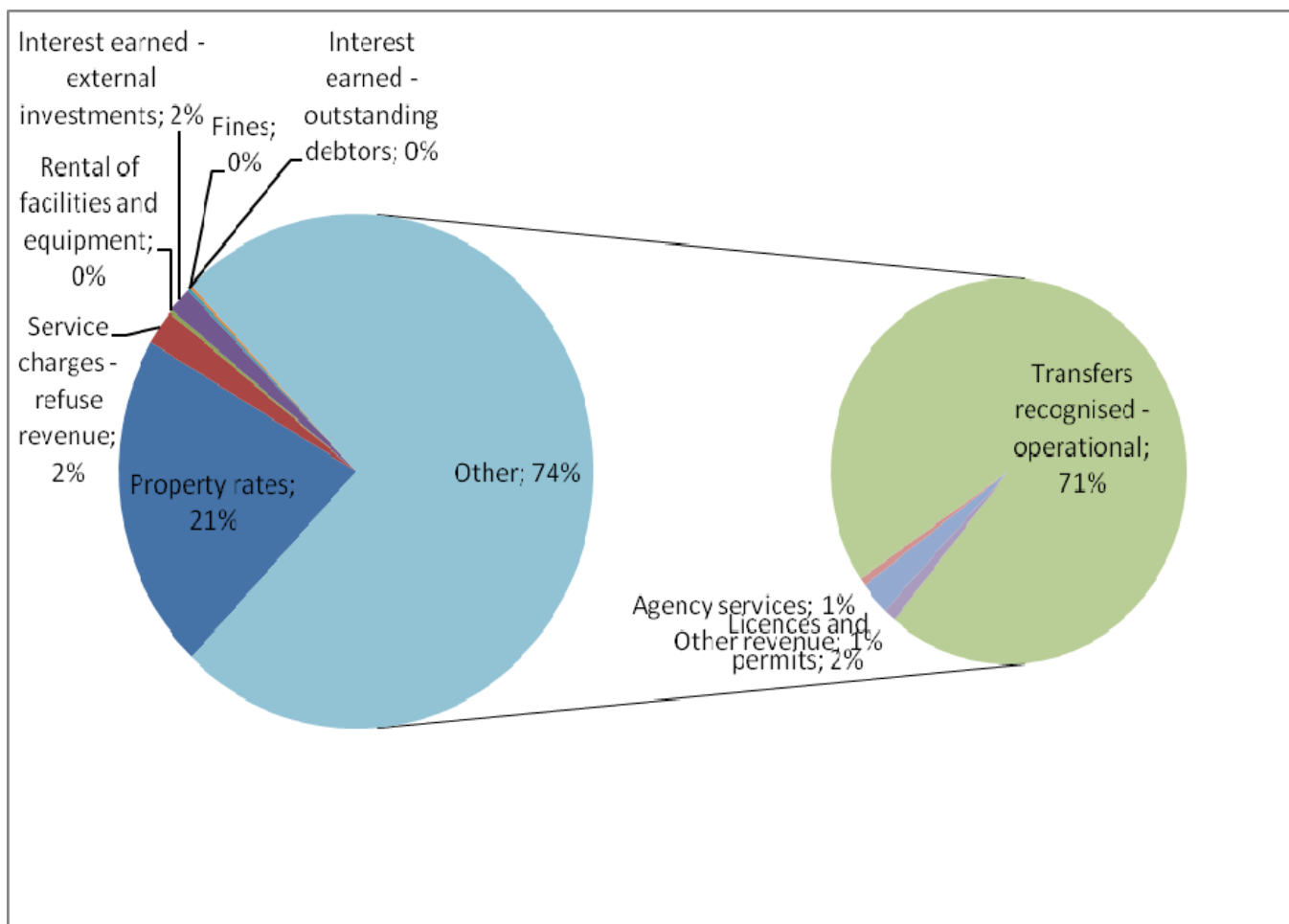


Figure 7 Breakdown of operating revenue over the 2015/16 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA),
- And the ability to extend new services and obtain cost recovery levels. The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts

The proposed tariff increases for the 2015/16 MTREF on the different revenue categories are:

Table 29- Proposed tariff increases over the medium-term

Revenue category	2015/16 proposed tariff increase	2016/17 proposed tariff increase	2017/18 proposed tariff increase	2015/16 Total Budgeted revenue
	%	%	%	
Property rates				30 965 689
Solid waste	4.8	5.9	5.6	3 277 096
Total				34 242 785

Revenue to be generated from property rates is R30.9 million in the 2015/16 financial year and increases to R34.6 million by 2017/18 which represents 24 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

As the levying of property rates is considered strategic revenue source supplementary valuation process are conducted twice in a year, during December and June of every financial year.

Services charges relating to refuse removal constitutes the second smallest component of the revenue basket of the Municipality totaling R3.2 million for the 2015/16 financial year and increasing to R3.6 million by 2017/18. For the 2015/16 financial year services charges amount to 2 per cent of the total revenue base and grows by 3 per cent per annum over the medium-term.

Operational grants and subsidies amount to R104 million, R96 million and R95 million for each of the respective financial years of the MTREF, or 71, 68 and 67 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 3 per cent and 1 percent for the two outer years.

The tables below provide detail investment information and investment particulars by maturity.

Table 30- MBRR – Detail Investment Information

Investment type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Parent municipality</u> Deposits - Bank	14 919 796	25 974 170	42 584 051	31 000 000	31 000 000	31 000 000	42 000 000	45 000 000	47 000 000
Consolidated total:	14 919 796	25 974 170	42 584 051	31 000 000	31 000 000	31 000 000	42 000 000	45 000 000	47 000 000

Table 31- MBRR – Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Expiry date of investment	Opening balance	Interest to be realised	Closing Balance
	Yrs/Months								
<u>Parent municipality</u> Standard bank investment	Months	call deposit	no	variable	4,25	32 days	20 797 281	1 592 959	22 390 241
Investec investmnet	Months	call deposit	no	variable	5,4	day to day	21 786 889	2 822 943	24 609 831
Municipality sub-total							42 584 170		47 000 072
TOTAL INVESTMENTS AND INTEREST							42 584 170		47 000 072

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

Table 32- Sources of capital revenue over the MTREF

Vote Description			2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Funded by:								
National Government	35 410 839	66%	33 666 000	60%	26 729 000	71%	28 077 000	85%
Internally generated funds	18 052 161	34%	22 810 694	40%	10 726 468	29%	4 928 784	15%
Total Capital Funding	53 463 000	100%	56 476 694	100%	37 455 468	100%	33 005 784	100%

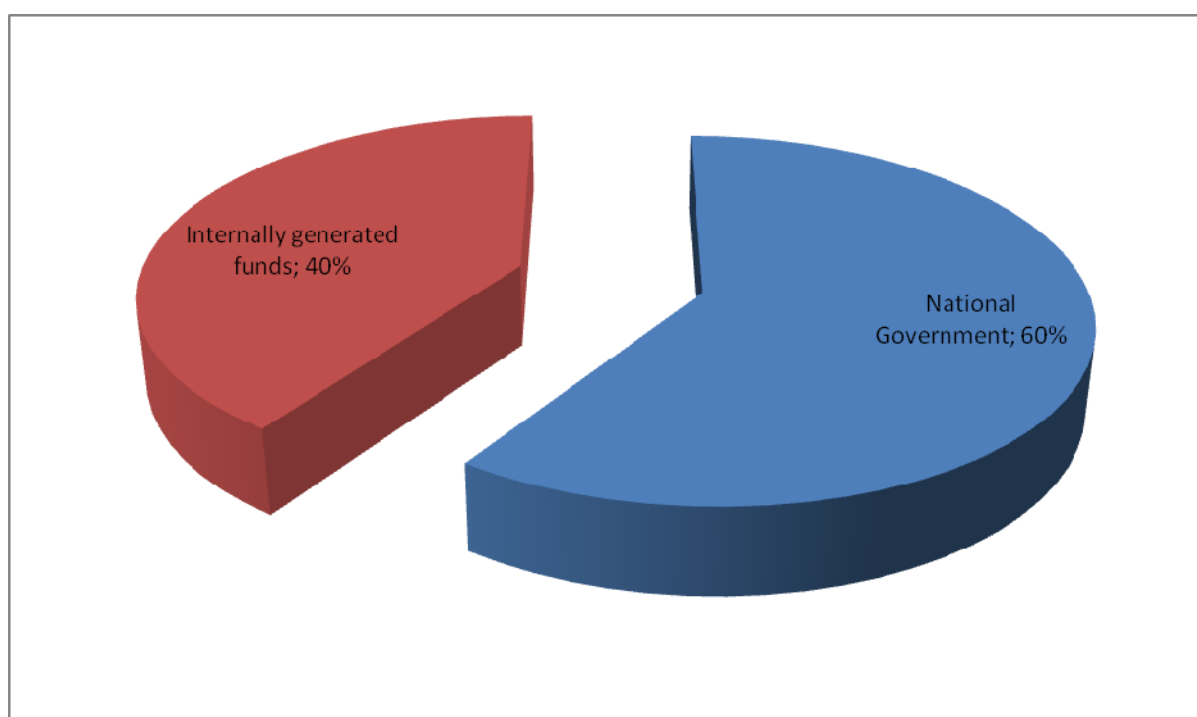


Figure 8 Sources of capital revenue for the 2015/16 financial year

Capital grants and receipts equates to 60 per cent of the total funding source which represents R33.3 million for the 2015/16 financial year and steadily decreased to R26 million or 71 per cent and 28 million or 85 percent for the two outer years . Growth relating to internally generated funds receipts is 40, 25 and 15 per cent over the medium-term.

Table 33-MBRR Capital transfers and grant receipts

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Transfers and Grants									
National Government:	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Municipal Infrastructure Grant (MIG)	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Total Capital Transfers and Grants	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from “Ratepayers and other to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue,

Table 34- MBRR - Table A7 Budgeted Cash Flows

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates, penalties & collection charges	10 341 899	11 305 512	12 594 085	13 393 944	29 547 413	29 547 413	30 965 689	32 792 665	34 629 054
Service charges	2 260 834	2 548 200	2 564 209	2 655 000	3 127 000	3 127 000	3 277 096	3 470 445	3 664 790
Other revenue	1 990 000	2 034 680	4 766 959	5 364 000	5 312 000	5 312 000	5 564 320	5 892 370	6 222 156
Government – operating	47 096 000	66 813 000	68 062 483	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
Government - capital	24 874 000	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Interest	969 596	1 246 988	1 816 214	1 625 000	2 537 000	2 537 000	2 658 776	2 815 644	2 973 320
Payments									
Suppliers and employees	-66 367 597	-71 151 626	-71 180 088	-93 846 494	-94 342 708	-94 342 708	-112 700 468	-118 837 206	-125 149 423
Finance charges	-41 229	-64 910	-86 022	-78 000	-78 000	-78 000	-150 000	-158 850	-167 746
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 123 503	40 152 474	46 407 001	31 476 450	49 469 103	49 469 103	59 490 413	49 442 068	45 652 151

CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE			-10 349 033	2 075 000	2 075 000	2 075 000	-	-	-
Payments									
Capital assets	-24 009 503	-30 463 781	-22 491 906	-41 365 000	-45 239 000	-45 239 000	-56 476 694	-37 455 468	-33 005 784
NET CASH FROM/(USED) INVESTING ACTIVITIES	-24 009 503	-30 463 781	-32 840 939	-39 290 000	-43 164 000	-43 164 000	-56 476 694	-37 455 468	-33 005 784
CASH FLOWS FROM FINANCING ACTIVITIES									
NET CASH FROM/(USED) FINANCING ACTIVITIES									
NET INCREASE/(DECREASE) IN CASH HELD									
Cash/cash equivalents at the year begin:	-2 886 000	9 688 693	13 566 062	-7 813 550	6 305 103	6 305 103	3 013 719	11 986 600	12 646 367
Cash/cash equivalents at the year end:	22 736 212	19 850 212	29 538 905	43 104 959	43 104 959	43 104 959	35 677 000	38 690 719	50 677 319
	19 850 212	29 538 905	43 104 967	35 291 409	49 410 062	49 410 062	38 690 719	50 677 319	63 323 686

- The above table shows that cash and cash equivalents of the Municipality has a positive cash flow movement from 2011/12 to 2017/18 by 19.8 million to 63.3 million. With the 2014/15 adjustments budget various cost efficiencies and savings had to be realized to ensure the Municipality could meet its operational expenditure commitments.
- In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality. For the 2015/16 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed 63.3M by 2017/18.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be "funded. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 35: cash backed reserve/ accumulated surplus reconciliation

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	19 850 212	29 538 905	43 104 967	35 291 409	49 410 062	49 410 062	38 690 719	50 677 319	63 323 686
Other current investments > 90 days	-286	-224	-8	268 591	-13 850 062	-13 850 062	6 869 281	-2 977 319	-10 623 686
Cash and investments available:	19 849 926	29 538 680	43 104 959	35 560 000	35 560 000	35 560 000	45 560 000	47 700 000	52 700 000
Application of cash and investments									
Unspent conditional transfers	1 170 756	3 742 042	9 227 398	-	-	-	-	-	-
Other working capital requirements	-4 532 634	-4 481 932	-13 604 682	-9 008 000	-26 845 000	-26 845 000	-28 557 183	-31 137 000	-30 440 000
Reserves to be backed by cash/investments				5 800 000	5 800 000	5 800 000	4 500 000	4 765 500	5 032 368
Total Application of cash and investments:	-3 361 878	-739 890	-4 377 285	-3 208 000	-21 045 000	-21 045 000	-24 057 183	-26 371 500	-25 407 632
Surplus(shortfall)	23 211 804	30 278 571	47 482 244	38 768 000	56 605 000	56 605 000	69 617 183	74 071 500	78 107 632

From the above table it can be seen that the cash and investments available total R69.6 million in the 2015/16 financial year and increase to R78.1 million by 2017/18, including the projected cash and cash equivalents as determined in the cash flow forecast.

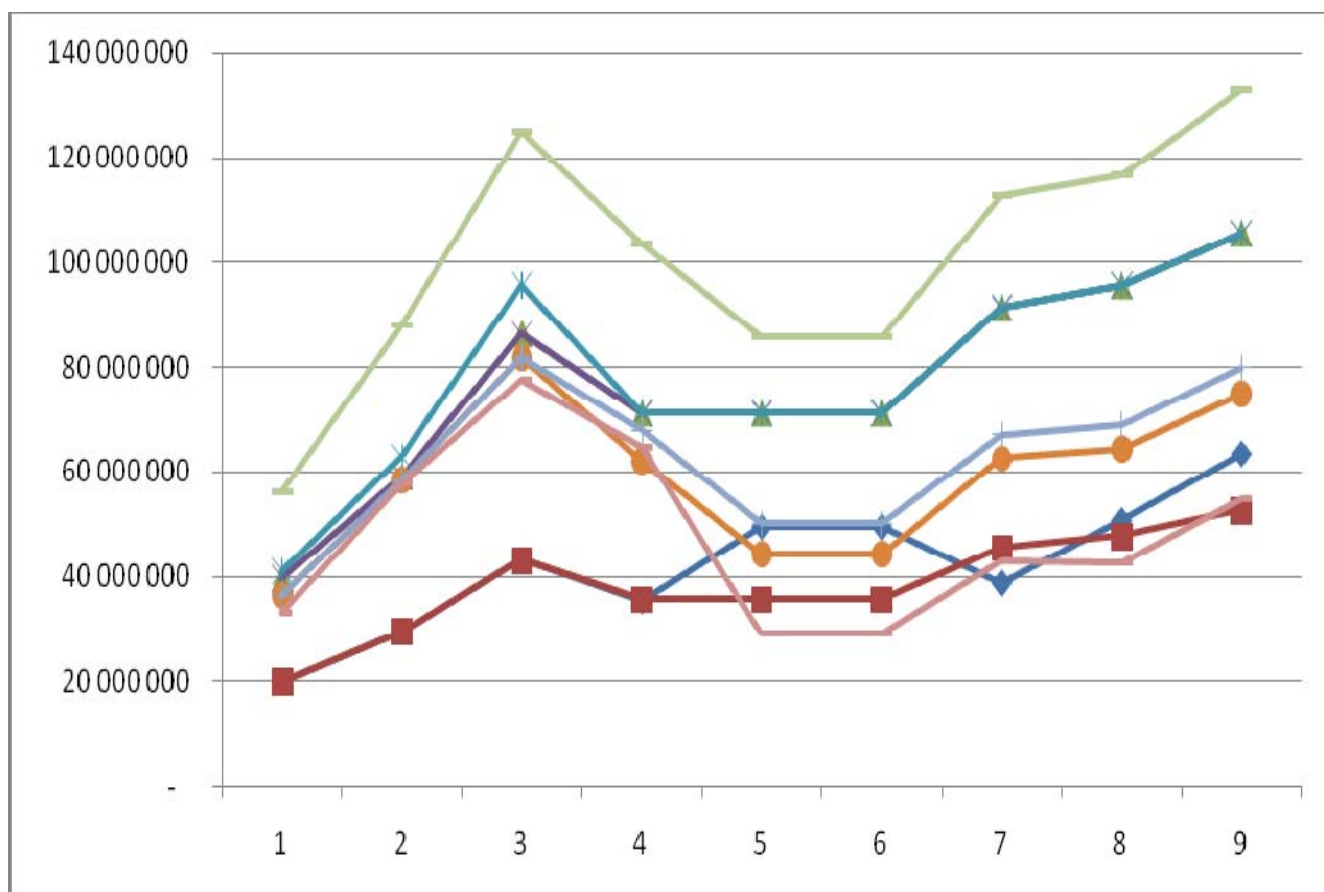
Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital,
- For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective



2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 36: Funding compliance measurement

Description	MFM A section	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1) b	19 850 212	29 538 905	43 104 967	35 291 409	49 410 062	49 410 062	38 690 719	50 677 319	63 323 686
Cash + investments at the yr end less applications - R'000	18(1) b	23 211 804	30 278 571	47 482 244	38 768 000	56 605 000	56 605 000	69 617 183	74 071 500	78 107 632
Cash year end/monthly employee/supplier payments	18(1) b	4,3	6,1	9,2	5,4	7,7	7,7	5,2	6,5	7,7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	21 269 846	653 885	13 489 071	-5 230 848	12 761 692	12 761 692	20 706 413	8 369 812	2 279 849

Service charge rev % change - macro CPIX target exclusive	18(1) a,(2)	N.A.	3,9%	3,4%	(0,1%)	97,6%	(6,0%)	(1,2%)	(0,1%)	(0,4%)
Cash receipts % of Ratepayer & Other revenue	18(1) a,(2)	83,2%	80,8%	92,8%	99,4%	99,3%	99,3%	99,3%	99,3%	99,3%
Debt impairment expense as a % of total billable revenue	18(1) a,(2)	28,5%	21,9%	18,3%	23,1%	11,3%	11,3%	12,3%	12,3%	12,3%
Capital payments % of capital expenditure	18(1) c;19	76,9%	87,8%	66,0%	83,4%	84,6%	84,6%	100,0%	91,7%	89,8%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1) c	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1) a							100,0%	100,0%	100,0%
Current consumer debtors % change - incr(decr)	18(1) a	N.A.	11,8%	27,8%	(33,7%)	113,9%	0,0%	17,2%	1,3%	(1,1%)
Long term receivables % change - incr(decr)	18(1) a	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(vi)	0,7%	0,4%	0,5%	0,7%	0,7%	0,7%	0,7%	0,8%	0,8%
Asset renewal % of capital budget	20(1)(vi)	4,8%	14,2%	10,7%	5,2%	4,5%	4,5%	6,2%	5,9%	8,4%

2.6.5.1 Cash/cash equivalent position

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.
- If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2015/16 MTREF shows R38.6 million, R50.6 million and R63.3 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

- The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 35; the reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

- The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been increasing significantly for the period 2015/16 to 2017/18, moving from 5.2 to 7.7 as indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards five months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

- The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An adjusted surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2015/16 MTREF the indicative outcome is a surplus of R20.7 million and R8.3 million and R2.2 million for the two outer years. Which is affected by non cash items It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

- The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in revenue, which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.
- The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 0.2 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth to -0.1 to -0.4 percent for the two respective years

2.6.5.6 Cash receipts as a percentage of ratepayers and other revenue

- This factor is a macro measure of the rate at which funds are collected. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 99.3 percent , In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

2.6.5.7 Debt impairment expense as a percentage of billable revenue

- This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 12.3, 12.3 and 12.3 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

- The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

- The purpose of this measurement is to determine the proportion of a municipality's „own-funded capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has

been be excluded. It can be seen that borrowing equates to 0 per cent of own funded capital. The municipality does not borrow money from external stakeholders

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

- The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

- The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 day

2.6.5.12 Repairs and maintenance expenditure level

- This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in MBRR SA34C

2.6.5.13 Asset renewal/rehabilitation expenditure level

- This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level
- of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for „repairs and maintenance budgets.

2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 37- MBRR Table SA19 Expenditure on transfers and grant programme

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	49 088 138	64 158 565	68 041 738	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
Local Government Equitable Share	47 176 000	53 513 000	60 742 000	71 904 000	71 904 000	71 904 000	92 441 000	93 956 000	92 470 000
Finance Management	1 393 577	1 585 186	1 671 237	1 800 000	1 800 000	1 800 000	1 800 000	1 825 000	1 900 000
Municipal Systems Improvement	518 561	1 071 438	664 441	934 000	1 159 559	1 159 559	930 000	957 000	1 033 000
Integrated National Electrification Programme		1 895 356	3 104 644		-	-	7 000 000		
EPWP Incentive		1 365 824	1 323 176	1 316 000	1 316 000	1 316 000	1 038 000		
Municipal disaster recovery grant		4 727 760	536 240	1 100 000	1 100 000	1 100 000	836 000		
Provincial Government:	-	-	-	-	-	-	-	-	-
District Municipality:	3 896 105	83 149	20 745	-	-	-	-	-	-
<i>Mopani</i>	3 896 105	83 149	20 745						
Total operating expenditure of Transfers and Grants:	52 984 243	64 241 714	68 062 483	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Municipal Infrastructure Grant (MIG)	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
Total capital expenditure of Transfers and Grants	30 279 670	27 420 630	27 869 161	25 309 000	26 086 839	26 086 839	25 830 000	26 729 000	28 077 000
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	83 263 913	91 662 344	95 931 644	102 363 000	103 366 398	103 366 398	129 875 000	123 467 000	123 480 000

Table 38- MBRR SA20 - Reconciliation of transfers, grant receipts and unspent funds

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Operating transfers and grants:</u>									
National Government:									
Balance unspent at beginning of the year	901 474	1 066 861	3 721 297		225 559	225 559			
Current year receipts	48 731 926	66 813 000	64 546 000	77 054 000	77 054 000	77 054 000	104 045 000	96 738 000	95 403 000
Conditions met - transferred to revenue	49 088 138	64 158 565	68 041 738	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
Conditions still to be met - transferred to liabilities	545 262	3 721 297	225 559						
District Municipality:									
Balance unspent at beginning of the year	4 000 000	103 895	20 746						
Current year receipts									
Conditions met - transferred to revenue	3 896 105	83 149	20 746	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities	103 895	20 746							
Total operating transfers and grants revenue	52 984 243	64 241 714	68 062 483	77 054 000	77 279 559	77 279 559	104 045 000	96 738 000	95 403 000
Total operating transfers and grants – CTBM	649 157	3 742 042	225 559	-	-	-	-	-	-
<u>Capital transfers and grants:</u>									
National Government:									
Balance unspent at beginning of the year	3 809 273	-3 060 397	-307 026		777 839	777 839			
Current year receipts	23 410 000	30 638 380	37 178 026	34 633 000	34 633 000	34 633 000	33 666 000	26 729 000	28 077 000
Conditions met - transferred to revenue	30 279 670	27 885 009	27 869 161	34 633 000	35 410 839	35 410 839	33 666 000	26 729 000	28 077 000
Conditions still to be met - transferred to liabilities	-3 060 397	-307 026	9 001 839						
Total capital transfers and grants revenue	30 279 670	27 885 009	27 869 161	34 633 000	35 410 839	35 410 839	33 666 000	26 729 000	28 077 000
Total capital transfers and grants – CTBM	-3 060 397	-307 026	9 001 839	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE	83 263 913	92 126 723	95 931 644	111 687 000	112 690 398	112 690 398	137 711 000	123 467 000	123 480 000
TOTAL TRANSFERS AND GRANTS – CTBM	-2 411 240	3 435 016	9 227 398	-	-	-	-	-	-

2.8. COUNCILLOR AND EMPLOYEE BENEFITS

Table 39- MBRR SA22 - Summary councilor and staff benefit

Summary of Employee and Councillor remuneration	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Councillors (Political Office Bearers plus Other)</u>	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages	4 144 663	4 530 182	4 550 717	4 987 290	5 034 340	5 034 340	5 062 297	5 416 658	5 795 824
Pension and UIF Contributions	731 407	796 504	813 672	893 989	902 423	902 423	894 945	957 591	1 024 623
Medical Aid Contributions	34 218	28 514	53 141	78 813	79 556	79 556	78 813	84 330	90 233
Motor Vehicle Allowance	1 595 909	1 631 779	1 713 830	1 914 908	1 932 973	1 932 973	1 916 451	2 050 602	2 194 144
Cellphone Allowance	340 201	371 782	533 232	597 242	602 877	602 877	586 403	627 452	671 373
Housing Allowances					-	-			
Other benefits and allowances				49 873	79 873	79 873	50 623	54 167	57 958
Sub Total – Councillors	6 846 399	7 358 761	7 664 592	8 522 116	8 632 043	8 632 043	8 589 533	9 190 800	9 834 156
% increase		7,5%	4,2%	11,2%	1,3%	–	(0,5%)	7,0%	7,0%
<u>Senior Managers of the Municipality</u>									
Basic Salaries and Wages	2 755 799	1 970 011	1 792 274	2 914 206	2 914 206	2 914 206	3 046 247	3 229 022	3 422 763
Pension and UIF Contributions	692 366	555 285	489 053	781 542	781 542	781 542	1 307 470	1 385 918	1 469 073

Medical Aid Contributions	67 200	46 488	110 439	163 203	163 203	163 203	154 109	163 355	173 157
Overtime					-	-		-	-
Performance Bonus	378 761	178 600	275 675	860 529	860 529	860 529	893 333	946 933	1 003 749
Motor Vehicle Allowance	822 047	810 067	790 000	1 699 240	1 699 240	1 699 240	1 326 000	1 405 560	1 489 894
Cellphone Allowance	59 400	48 390	43 140	68 498	68 498	68 498	75 004	79 504	84 275
Housing Allowances					-	-		-	-
Other benefits and allowances	22 300	39 097	26 276	58 284	58 284	58 284	59 523	63 094	66 879
Payments in lieu of leave		444 650			-	-		-	-
Long service awards					-	-		-	-
Post-retirement benefit obligations					-	-		-	-
Sub Total - Senior Managers of Municipality	4 797 873	4 092 587	3 526 857	6 545 502	6 545 502	6 545 502	6 861 685	7 273 386	7 709 789
% increase		(14,7%)	(13,8%)	85,6%	-	-	4,8%	6,0%	6,0%
<u>Other Municipal Staff</u>									
Basic Salaries and Wages	15 619 212	18 668 210	19 244 356	24 370 512	21 995 010	21 995 010	26 516 230	27 719 936	28 977 701
Pension and UIF Contributions	3 500 834	3 783 319	4 156 097	5 445 938	5 076 890	5 076 890	6 112 367	6 381 909	6 663 065
Medical Aid Contributions	871 362	1 028 364	140 637	1 597 285	1 617 285	1 617 285	1 327 824	1 388 080	1 451 041
Overtime	435 434	780 519	436 702	570 000	1 010 000	1 010 000	880 000	921 272	964 480
Performance Bonus	1 260 794	1 485 033	1 631 063	1 945 306	1 673 926	1 673 926	2 209 686	2 301 617	2 397 159
Motor Vehicle Allowance	401 415	294 255	315 166	1 160 076	1 293 303	1 293 303	2 779 563	2 892 554	3 009 802
Cellphone Allowance	230 500	424 600	806 432	382 800	363 020	363 020	450 423	470 565	491 593
Housing Allowances	45 936	57 012	63 096	66 882	66 882	66 882	67 513	70 679	73 994
Other benefits and allowances	207 734			639 870	720 298	720 298	866 578	906 441	948 127
Payments in lieu of leave	506 769	214 399	330 967	300 000	300 000	300 000	255 000	266 960	279 480

Long service awards	138 730	957 307	53 344	21 080	27 890	27 890	99 151	103 801	108 669
Post-retirement benefit obligations		1 757 903			-	-			
Sub Total - Other Municipal Staff	23 218 721	29 450 921	27 177 860	36 499 749	34 144 504	34 144 504	41 564 335	43 423 814	45 365 110
% increase		26,8%	(7,7%)	34,3%	(6,5%)	-	21,7%	4,5%	4,5%
Total Parent Municipality	34 862 994	40 902 269	38 369 308	51 567 367	49 322 048	49 322 048	57 015 553	59 888 000	62 909 055
TOTAL SALARY, ALLOWANCE S & BENEFITS		17,3%	(6,2%)	34,4%	(4,4%)	-	15,6%	5,0%	5,0%
	34 862 994	40 902 269	38 369 308	51 567 367	49 322 048	49 322 048	57 015 553	59 888 000	62 909 055
% increase		17,3%	(6,2%)	34,4%	(4,4%)	-	15,6%	5,0%	5,0%
TOTAL MANAGERS AND STAFF	28 016 594	33 543 508	30 704 717	43 045 251	40 690 006	40 690 006	48 426 020	50 697 200	53 074 899

Table 40 MBRR SA23 - Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Rand per annum						
<u>Councillors</u>						
Speaker	537 229	31 319	81 107			649 654
Chief Whip	498 427	30 931	81 107			610 464
Executive Mayor	441 231	146 903	215 769			803 903
Deputy Executive Mayor						-
Executive Committee	1 233 365	90 174	243 320			1 566 859
Total for all other councillors	2 352 046	725 054	1 881 552			4 958 653
Total Councillors	5 062 297	1 024 381	2 502 854			8 589 533
<u>Senior Managers of the Municipality</u>						
Municipal Manager (MM)	657 022	330 363	299 584	174 846		1 461 815
Chief Finance Officer	498 466	170 211	82 284	102 391		853 352
Director coimmunity service	426 187	302 976	268 284	136 558		1 134 004
Director Technical services	606 763	269 543	130 284	137 825		1 144 414
Director SPED	396 988	290 175	310 284	136 558		1 134 004
Director corporate services	460 822	226 432	310 284	136 558		1 134 095
Total Senior Managers of the Municipality	3 046 247	1 589 699	1 401 004	824 735		6 861 685
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	8 108 544	2 614 080	3 903 858	824 735		15 451 218

Table 41-MBRR - SA24 Summary of personnel numbers

Summary of Personnel Numbers		2013/14		Current Year 2014/15			Budget Year 2015/16		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Municipal employees									
Municipal Manager and Senior Managers	6	–	6	6	–	6	6	–	6
Other Managers	16	16	–	2	2	–	19	19	–
Professionals	184	175	9	192	181	11	168	157	11
<i>Finance</i>	22	19	3	22	19	3	18	15	3
<i>Spatial/town planning</i>	15	14	1	13	12	1	9	8	1
<i>Information Technology</i>	3	2	1	3	2	1	3	2	1
<i>Roads</i>	9	9	–	10	10	–	10	10	–
<i>Electricity</i>	2	2	–	2	2	–	3	3	–
<i>Water</i>	16	16	–	17	17	–	17	17	–
<i>Sanitation</i>				–	–	–	–	–	–
<i>Refuse</i>	8	8	–	8	8	–	8	8	–
<i>Other</i>	109	105	4	117	111	6	100	94	6
Technicians	–	–	–	–	–	–	–	–	–
TOTAL PERSONNEL NUMBERS	206	191	15	200	183	17	193	176	17
% increase				(2,9%)	(4,2%)	13,3%	(3,5%)	(3,8%)	–

2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

See attached copy of the Draft Annual Budget for the following tables

- TABLE 42:MBRR SA25 - Budgeted monthly revenue and expenditure – see attached copy of the Annual Budget
- TABLE 43: MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- TABLE 44: MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)
- TABLE 45:MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)
- TABLE 46: MBRR SA29 - Budgeted monthly capital expenditure (standard classification)
- TABLE 47: MBRR SA30 - Budgeted monthly cash flow

2.10 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS

2.10.1 Water Services Department

Maruleng Municipality is not a water service authority

2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 CAPITAL EXPENDITURE DETAILS

See attached copy of the Annual Budget for the following tables

- TABLE 48:MBRR SA 34a – Capital expenditure on new assets by assets class
- TABLE 49:MBRR SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE 50:MBRR SA 34c – Repairs and maintenance expenditure by assets class
- TABLE 51: MBRR SA34d- Depreciation by assets classification
- TABLE 52:MBRR SA 35 – Future financial implications of the capital budget
- TABLE 53 :MBRR SA 36 – Detailed capital budget per municipal vote
- TABLE 54: MBRR SA 37– Projects delayed from previous financial year

2.13 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. in year reporting
 - Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
 - The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
 - The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
 - A district shared Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
 - The detail SDBIP document is at a draft stage and will be finalized after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.
6. Annual Report
 - Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
 - The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies
 - An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 OTHER SUPPORTING DOCUMENTS

See attached copy of the Annual Budget for the following supporting tables

- TABLE 55: MBRR SA 1 – Supporting detail to budgeted financial performance
- TABLE 56: MBRR SA 2 – Matrix financial Performance budget (revenue source/expenditure type and department)
- TABLE 57: MBRR SA 3 – Supporting detail to statement of financial position

- TABLE 58: MBRR SA 9 – Social, economic and demographic statistics and assumptions
- TABLE 59: MBRR SA 32 – List of external mechanisms

2.15 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **Refilwe Jonas Ramothwala**, municipal manager of Maruleng Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

RJ Ramothwala
Municipal Manager: Maruleng Municipality

Signature _____

Date _____

